# City of Alexandria Employees' Retirement System

Alexandria, Louisiana

**December 31, 2012** 

# City of Alexandria Employees' Retirement System

# December 31, 2012

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# CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

#### **Independent Auditor's Report**

Board of Trustees City of Alexandria Employees' Retirement System

#### Report on the Financial Statements

We have audited the accompanying statement of plan net position of the City of Alexandria Employees' Retirement System, Alexandria, Louisiana, (a pension trust fund of the City of Alexandria, Louisiana) as of December 31, 2012, and the related statement of changes in plan net position for the year then ended and the related notes to the financial statements, which collectively comprise the City of Alexandria Employees' Retirement System's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or eror.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraudor error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ROBERT W. DYORAK, C.P.A.

REBECCA B. MORRIS, C.P.A.

Michael A. Juneau, C.P.A.

Evelyn Renfrow, C.P.A.





Board of Trustees City of Alexandria Employees' Retirement System

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Alexandria Employees' Retirement System as of December 31, 2012, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Emphasis of a Matter

As discussed in Note 1, the financial statements present only the City of Alexandria Employees' Retirement System (a pension trust fund of the City of Alexandria, Louisiana) and do purport to, and do not, present fairly the financial position of the City of Alexandria, Louisiana, as of December 31, 2012, and the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

#### Other Matters

#### Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and other required supplemental information on pages 17 through 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Alexandria Employees' Retirement System's basic financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for the purposes of additional analysis and is not a required part of the basic financial statements.



Board of Trustees City of Alexandria Employees' Retirement System

This supplementary information as listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2013 on our consideration of the City of Alexandria Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Alexandria Employees' Retirement System's internal control over financial reporting and compliance.

House Ilbuse E personation, LLP
Certified Public Accountants

Alexandria, Louisiana

April 16, 2013

Required Supplemental Information Part I

Management's Discussion and Analysis

Our discussion and analysis of the City of Alexandria Employees' Retirement System's financial performance provides an overview of the System's financial activities for the year ended December 31, 2012. It encompasses year-long activities and is management's representation of the system's activities and should be read in conjunction with the accompanying financial statements.

#### Overview of the Financial Statements

The **Statement of Plan Net Position** includes all of the System's assets and liabilities, and provides information about the nature and amount of investments available to satisfy the pension benefits of the System. This statement should be read with the understanding that it discloses the System's financial position as of December 31, 2012.

The **Statement of Changes in Plan Net Position** reports the results of operations during the year, categorically disclosing the additions and deductions from plan net assets.

The **Notes to the Financial Statements** provide additional data that is essential to a complete understanding of the financial statements as well as providing brief descriptions of the plan and the System's accounting policies.

The **Required Supplemental Information – Part II**, including the *Schedule of Funding Progress*, and the *Schedule of Employer Contribution*, provides historical trend information about the actuarially determined funded status of the System from a long-term, on-going plan perspective and the progress made in accumulating sufficient assets to pay benefits when due.

The **Supplementary Information** is presented for the purposes of additional analysis and is not a required part of the financial statements.

#### Financial Analysis

To begin our financial analysis, a summary of the System Plan Net Assets is presented below:

#### Condensed Statement of Plan Net Position

	2012		2011		Change
Assets					
Cash	\$ 6,557,987	\$	5,260,576	\$	1,297,411
Receivables Investments, at fair	632,560		584,133		48,427
value	113,696,183		105,071,625		8,624,558
Capital assets, net	1,148	_	1,771	_	(623)
Total Assets	120,887,878	•	110,918,105		9,969,773
Liabilities	 (600)	_	(540)		(60)
Plan Net Assets	\$ 120,887,278	\$	110,917,565	\$	9,969,713

As the table above indicates, Plan Net Position increased by \$9,969,713, primarily due to a continued increase in asset fair value. The year ended December 31, 2012 while marked with a level of volatility, particularly in the time frame surrounding the national election period, managed to recover somewhat at year-end. As a result, during the year 2012 there was a net change of \$9,969,713 in Plan Net Assets when measured year over year at December 31<sup>st</sup>.

Cash – The System, for the past several years, has maintained a portion of its assets in cash. As the table above indicates there was a net increase of \$1,297,411 in total cash amounts – a level that is somewhat higher than normally would be the case. A portion of the reason is due to investment settlements at year end and the DROP program which requires higher cash balances to be on hand. It is anticipated that over time a reduction of these cash amounts would be permitted.

It is the position of the System that during unsettled market periods and the potential demands of the System for certain cash needs, it is prudent to maintain a larger than normal cash position. Though, as stated in the above paragraph, it is anticipated that a reduction in the cash balance would occur in months ahead.

All of the cash balances of the System earn interest at the daily interest rate arranged with the System's banking company while being kept available for System purposes. The "sweep account" the System previously used has been discontinued for the time being due to the abnormally low interest rate climate which negated the purposes for which it was utilized.

The cash balances of the System are subject to a call by those persons participating in the DROP program. The termination of participation is a choice of timing by the individual, resulting in a need to disperse large amounts at the time of notice given by these persons. At year-end the total liability to DROP participants was \$1,877,827. Further, the decisions of individuals completing the DROP to continue employment required the establishment of an interest bearing sub-account for the accumulated DROP funds. At the year-end, the total in the sub-accounts totaled \$283,103. Individuals have a call on these funds at a time of their choosing thereby increasing the need for a ready amount of funds.

Additional demands for cash payments during the year were not only the payment to retired employees, which totaled \$7,002,906; but refunds to terminated employees as well. Persons terminating employment, who are not vested for future benefits, are refunded the amount of the employee contributions. During the year 2012 this amounted to \$487,190, an increase of \$183,187 over the prior year [an increase of 60% over the previous period's amount]. Cash payments for the DROP amounted to \$506,548 during the year 2012.

**Receivables** – As cash is invested and the number of equities increasing or beginning to pay dividends together with the normal payment of interest on a variety of fixed income securities resulted in a continuing accrual of monies at year end.

**Investments** – The year ended December 31, 2012 was investment wise much like previous years in terms of volatility; but managed to end the year with a net increase of fair value of assets of \$8,624,558.

A positive rate of return was also achieved for the year of 10.67% at the fiscal year end of December 31, 2012. The System's return, according to our actuaries, was among the better rates of return experienced by Louisiana public retirement areas.

#### Condensed Statements of Changes in Plan Net Position

: 033 302       ¢	
C C C C C C C C C C C C C C C C C C C	
7,000,002 Ψ	(350,202)
,727,128	(52,658)
43,174	(43,174)
7,341,664_	4,400,425
1,145,358	3,954,391
6,643,878	359,028
420,934	85,614
304,003	183,187
131,992	(131,992)
130,233	3,159
7,631,040	498,996
5,514,318  \$	3,455,395
	43,174 7,341,664 1,145,358 6,643,878 420,934 304,003 131,992 130,233 7,631,040

The table above indicates that the plan net assets increased by \$9,969,713 at the end of 2012. This increase follows a similar increase in the prior fiscal year – a year over year continuation of growth.

Employer Contributions – Employer contribution rates are set through the report of the consulting actuary and are designed to change with the beginning of the City fiscal year at May 1<sup>st</sup>. Rates run for a 12-month period until the following April 30<sup>th</sup> with the current actuarial valuation determining any change in rate structure. The current employer contribution rate of 25.97% will be increased to 27.04% on May 1, 2013. This rate will be in effect until the close of the City fiscal year of April 30, 2014. The report of the actuary currently being prepared will provide the contribution rate for the city which will be effective May 1, 2014. That report will be completed in approximately 60 days.

**Investment Income** – The retirement system invests in markets with a prudent amount of risk taken, but it cannot control the events that shape and govern the markets in which we place our funds. The retirement system either matched or exceeded the indices it measures itself against during the year ended December 31, 2012.

#### Other Information

While the report of the actuary for the fiscal year just ended is not yet available at this writing, the System is not adding new unfunded liability and our System is still on track to be fully funded in six more years at which time there will be a dramatic reduction in the employer contribution rate. That report speaks for itself, and will not be further addressed in this writing.

When viewed on an on-going multi-year basis, the System continues to make progress in its efforts to grow both assets, and reduce unfunded liability. The DROP program continues to place a greater degree of call on the cash of the system and in doing so impedes, somewhat, the normal investment process of the system. Overall, the system is healthy and growing; a direction management continues to strive in attaining.

#### Request for Information

The financial report of the System is designed to provide a general overview of the System's finances for interested parties. Any request for additional information should be directed to the City of Alexandria Employees' Retirement System, P. O. Box 71, Alexandria, LA 71309.

**Financial Statements** 

# City of Alexandria Employees' Retirement System Statement of Plan Net Position December 31, 2012

			Exhibit A
Assets			
Cash and cash equivalents		\$	6,557,987
Accrued interest and dividends receivable			632,560
Investments, at fair value:			,
Corporate bonds (amortized cost \$32,604,655)	37,594,524		
Zero coupon treasury receipts (amortized cost \$2,221,624)	2,984,743		
GNMA notes (amortized cost \$13,274)	17,670		
Corporate stocks			
Preferred stocks (cost \$3,123,626)	3,114,677		
Common stocks (cost \$64,252,737)	69,984,569		
Total Investments (cost \$102,215,916)		•	113,696,183
Furniture, fixtures, and equipment, net of depreciation			1,148
Total Assets			120,887,878
Liabilities			
Payroll taxes withheld			600
Net Position Restricted for Pensions			
(A schedule of funding progress is presented on page 18)		<b>\$</b>	120,887,278

The accompanying notes are an integral part of the financial statements.

### City of Alexandria Employees' Retirement System Statement of Changes in Plan Net Position Year Ended December 31, 2012

	Exhibit B
Additions	
Contributions	
Employer	\$ 4,683,190
Plan members	1,674,470
Total Contributions	6,357,660
Investment income	
Interest	1,882,745
Dividends	1,778,224
Net appreciation in fair value of investments	8,081,120
Total Investment Income	11,742,089
Total Additions	18,099,749
Deductions	
Plan benefits	7,002,906
DROP benefits	506,548
Employee refunds	487,190
Administrative expenses	133,392
Total Deductions	8,130,036
Net Increase	9,969,713
Net Position Restricted for Pensions	
Beginning of Year	110,917,565
End of Year	\$ 120,887,278

The accompanying notes are an integral part of the financial statements.

#### **Notes to Financial Statements**

#### 1. Plan Description and Significant Accounting Policies

The City of Alexandria Employees' Retirement System (the System) is the administrator of a single-employer defined benefit plan established by Act 459 of the Louisiana Legislature of 1948, as amended, and administered by the City of Alexandria. The System is considered part of the City of Alexandria financial reporting entity and is included in the City's financial reports as a pension trust fund.

The financial statements contained herein present only the City of Alexandria Employees' Retirement System and are not intended to present fairly the financial position and results of operations of the City of Alexandria, Louisiana, in conformity with accounting principles generally accepted in the United States of America.

#### Plan Description

Substantially all employees of the City, except firemen and policemen, become members of the System as a condition of employment. At December 31, 2012, System membership consisted of:

Current employees	
Vested	241
Nonvested	228
DROP participants	24
Terminated members due future benefits	13
Terminated members not due future benefits	136
Retirees and survivors currently receiving benefits	<u>347</u>
Total	989

The following brief description of the System is provided for general information only.

Retirement Benefits - Members with ten years of creditable service may retire at age sixty-two; members with at least twenty years of creditable service may retire at age sixty; members with twenty-five years of service may retire at age fifty-five; members with thirty years of service may retire regardless of age. The retirement allowance is equal to three percent of the member's average compensation multiplied by number of years of creditable service, not to exceed one hundred percent of average compensation. (Average compensation is defined as the highest three year average annual compensation.)

<u>Disability Benefits</u> - Five years of creditable service are required in order to be eligible for disability benefits. Disabled members receive a retirement allowance if they have attained the age of sixty-two. Otherwise, they receive three percent of the final average compensation for each year of service, not to be less than three hundred dollars per year.

<u>Survivor Benefits</u> - Three years of creditable service are required in order to be eligible for survivor benefits. The survivor is entitled to twice the amount of accumulated contributions or two months salary, whichever is greater, plus \$1,000. If the member has completed fifteen or more years of service, the surviving spouse is entitled to an automatic option 2 benefit (an actuarially equivalent joint and full survivor benefit) which ceases if the spouse remarries. In lieu of option 2, the spouse may receive the greater of a refund of twice the member's contributions with interest earnings or two months salary. Widows, who are at least age fifty, of members who die prior to retirement but subsequent to becoming eligible to retire, are entitled to automatic option 2 benefits.

#### Notes to Financial Statements

Deferred Retirement Option Plan - In lieu of terminating employment and accepting a service retirement allowance, any member of the system who has at least ten years of creditable service and who is eligible to receive a service retirement allowance may elect to participate in the Deferred Retirement Option Plan for up to thirty-six months and defer the receipt of benefits. Creditable service shall not include service reciprocally recognized pursuant to R.S. 11:142. Upon commencement of participation in the DROP plan, active membership in the system terminates and the participant's contributions cease; however, employer contributions continue. Compensation and creditable service remain, as they existed on the effective date of commencement of participation in the plan. The monthly retirement benefits that would have been payable, had the member elected to cease employment and receive a service retirement allowance, are paid into the Deferred Retirement Option Plan account. Upon termination of employment at the end of the specified period of participation, a participant in the program may receive, at his option, a lump sum payment from the account equal to the payments to the account, or a true annuity based upon his account balance (or any other method of payment subject to approval by the Board of Trustees); in addition, the member receives the monthly benefits that were paid into the fund during the period of participation. After a member has terminated his participation in the plan, the member's individual account balance in the plan will earn interest at the actual rate of return earned on such funds left on deposit with the system. Such funds will be invested in accordance with a policy adopted by the Board of Trustees. The accrued interest will be credited to the individual account on an annual basis. If employment is not terminated at the end of the participation period, payments into the account cease and the member resumes active contributing membership in the system. The monthly benefit payments that were being paid into the DROP fund are paid to the retiree and an additional benefit based on his additional service rendered since termination of DROP participation is calculated using the normal method of benefit computation. The average compensation used to calculate the additional benefit is that used to calculate the original benefit unless his period of additional service is at least thirty-six months. In no event can the entire monthly benefit amount paid to the retiree exceed 100% of the average compensation used to compute the additional benefit. If a participant dies during the period of participation in the program, a lump sum payment equal to his account balance is paid to his named beneficiary or, if none, to his estate.

<u>Contribution Refunds</u> - Upon withdrawal from service, members not entitled to a retirement allowance are paid a refund of accumulated contributions on request. Receipt of such a refund cancels all accrued rights in the System.

<u>Contribution Rates</u> - Covered employees are required by statute to contribute ten percent of their salary to the System. The City is required by statute to contribute remaining amounts necessary to finance the System at an actuarially determined rate. Benefit and contribution provisions are established by state law and may be amended only by the Louisiana Legislature.

Administrative Costs - Administrative costs of the plan are financed through investment earnings.

#### Significant Accounting Policies

<u>Basis of Accounting</u> - The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and when the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

#### **Notes to Financial Statements**

<u>Estimates</u> - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

<u>Investments</u> – Louisiana statutes allow the System to invest in securities issued, guaranteed, or insured by the United States government; bonds and other evidence of indebtedness issued by states or their political subdivisions; stocks, bonds, or other securities or evidence of indebtedness issued by any solvent corporation created under the laws of the United States or any of the states of the United States; and certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana.

Investments are reported at fair value. Corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Securities traded on the national securities exchange are valued at the last reported sales price on the last business day of the plan year. Investments traded in the over-the-counter market and listed securities for which no sale was reported on that date are valued at the average of the last reported bid and asked prices.

<u>Furniture</u>, <u>Fixtures</u>, and <u>Equipment</u> - Furniture, fixtures, and equipment are valued at historical cost less accumulated depreciation. The minimum capitalization threshold is any individual item with a total cost greater than or equal to \$250. Depreciation is computed using the straight-line method over the estimated economic life of the assets.

#### 2. Cash

The System's deposits at year-end were entirely covered by federal depository insurance or by collateral held by the System or its agent in the System's name.

#### 3. Investments

As of December 31, 2012, the System had the following investments and maturities.

			<u>Inv</u>	estment N	Maturities (in Y	(ears)
	Fair	Less				More
Investment Type	<u>Value</u>	<u>Than 1</u>	_	1-5	6-10	Than 10
Corporate bonds	\$ 37,594,524	\$ -	\$	585,697	\$ 3,137,886	\$33,870,941
Zero coupon treasury receipts	2,984,743	-		-	2,984,743	-
GNMA notes	17,670	97		5,838	11,735	
Total Interest-Bearing	40,596,937	\$ 97	\$	591,535	\$ 6,134,364	\$ 33,870,941
Preferred stocks	3,114,677					
Common stocks	69,984,569					
Total Investments	\$113,696,183					

Interest Rate Risk: The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from rising interest rates.

#### **Notes to Financial Statements**

Credit Risk: The System may invest in United States bonds, treasury notes, or time certificates of deposit of any bank domiciled or having a branch office in the State of Louisiana, investments as stipulated in state law, or any other federally insured investment. In addition, the System may invest in corporate stocks and bonds. The System's investment policies limit its corporate debt investments to bonds rated at least BBB by Standards and Poor's or Baa by Moody's Investor Services. Moody's Investor Services credit ratings of the System's corporate bonds are summarized below. Due to the extraordinary market conditions experienced during past several years, management determined that it would be detrimental to the System to sell the bonds whose credit ratings dropped below Baa.

Moody's Investor Services Credit Rating	<u>Fair Value</u>
A or better	\$ 35,897,994
Baa	3,631,590
Less than Baa	<u>1,067,353</u>
	\$40,596,937

Custodial Credit Risk: The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All of the System's investments are held by the System or its agents in the System's name.

#### 4. Furniture, Fixtures, and Equipment

A summary of changes in furniture, fixtures, and equipment during the year is presented below:

	Balance			Balance
	<u>Beginning</u>	_Additions	_Deletions	Ending
Furniture and fixtures	\$ 5,938	\$ -	\$ -	\$ 5,938
Equipment	<u>6,895</u>	<u>-</u>		6,895
Total	12,833	-	_	12,833
Accumulated depreciation	(11,062)	(623)		(11,685)
Net	\$ 1,771	\$ (623)	\$ -	\$ 1,148

The following estimated lives are used to compute depreciation on the straight-line method.

Furniture and fixtures	7-10 years
Computer equipment	5 years

Depreciation expense recorded in the financial statements for the year ended December 31, 2012, amounted to \$623.

#### **Notes to Financial Statements**

#### 5. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2012, the most recent actuarial valuation date, is as follows:

(a)	Actuarial value of assets	\$114,776,066
(b)	Actuarial accrued liability (AAL) – entry age	127,383,063
(c)	Unfunded AAL (UAAL) (b-a)	12,606,997
(d)	Funded ratio (a/b)	90.10%
(e)	Covered payroll (includes DROP participants)	17,499,599
(f)	UAAL as a percentage of covered payroll (c/e)	72.04%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

Valuation date 12/31/12
Actuarial cost method Frozen Entry Age Normal
Amortization method Level percent closed
Remaining amortization period 7 years

#### Actuarial asset values:

The actuarial value of assets is based on a 5-year smoothing of all investment earnings above or below the actuarial assumed rate of return. If the smoothed value of assets is more than 115% of the market value of assets, the actuarial value of assets will be equal to the smoothed value reduced by 1/2 of the excess of the smoothed value over 115% of the market value of assets. If the smoothed value is less than 85% of the market value of assets, the actuarial value will be equal to the smoothed value increased by 1/2 of the excess of 85% of the market value of assets over the smoothed value.

#### Actuarial assumptions:

Investment rate of return	7.75%
Projected salary increase	5.50%
Includes inflation at	3.00%
Includes merit raises at	2.50%
Cost-of-living adjustments	None

Required Supplemental Information Part II

# City of Alexandria Employees' Retirement System Required Supplemental Information Schedule of Funding Progress

(in thousands of dollars)

#### Schedule 1

		(2)				
	445	Actuarial	(0)	(4)		UAAL as a
0 -4	(1)	Accrued	(3)	Unfunded	<i>(5</i> )	Percentage
Actuarial	Actuarial	Liability	Funded	AAL	(5)	of Covered
Valuation Date	Value of Assets	(AAL) - Frozen Entry Age	Ratio (1) / (2)	(UAAL) (2) - (1)	Covered Payroll	Payroll (4) / (5)
					·	
12/31/98	55,151	75,371	73.2%	20,220	13,393	151.0%
12/31/99	62,301	82,642	75.4%	20,341	14,231	142.9%
12/31/00	67,268	87,647	76.7%	20,379	13,690	148.9%
12/31/01	68,892	89,248	77.2%	20,356	14,500	140.4%
12/31/02	66,448	86,593	76.7%	20,145	15,196	132.6%
12/31/03	66,317	86,179	77.0%	19,862	14,639	135.7%
12/31/04	68,816	88,315	77.9%	19,499	14,522	134.3%
12/31/05	75,252	94,301	79.8%	19,049	15,961	119.3%
12/31/06	81,480	99,983	81.5%	18,503	16,725	110.6%
12/31/07	90,346	108,197	83.5%	17,851	18,400	97.0%
12/31/08	90,577	107,659	84.1%	17,082	20,287	84.2%
12/31/09	97,814	114,000	85.8%	16,186	19,750	82.0%
12/31/10	103,324	118,475	87.2%	15,151	18,581	81.5%
12/31/11	108,774	122,736	88.6%	13,962	17,271	80.8%
12/31/12	114,776	127,383	90.1%	12,607	17,500	72.0%

The accompanying notes are an integral part of the financial statements.

# City of Alexandria Employees' Retirement System Required Supplemental Information Schedule of Employer Contributions

### Schedule 2

Annual					
Year	Required	Percentage			
Ended	<u>Contribution</u>	<u>Contributed</u>			
12/31/1998	2,450,850	100%			
12/31/1999	2,527,803	100%			
12/31/2000	2,479,254	100%			
12/31/2001	2,414,828	100%			
12/31/2002	2,490,139	100%			
12/31/2003	2,734,983	100%			
12/31/2004	3,371,285	100%			
12/31/2005	4,445,154	100%			
12/31/2006	5,026,930	100%			
12/31/2007	5,217,854	100%			
12/31/2008	5,518,590	100%			
12/31/2009	4,794,266	100%			
12/31/2010	5,134,545	100%			
12/31/2011	5,033,392	100%			
12/31/2012	4,683,190	100%			

The accompanying notes are an integral part of the financial statements.

Supplementary Information

# City of Alexandria Employees' Retirement System Schedule of Cash Receipts and Cash Disbursements Year Ended December 31, 2012

	Schedule 3
Cash Receipts	
Employer contributions	\$ 4,683,190
Member contributions	1,674,470
Interest received	1,884,674
Dividends received	1,727,868
Proceeds from sale or redemption of investments	28,709,801
Total Cash Receipts	38,680,003
Cash Disbursements	
Plan benefits	7,002,906
DROP benefits	506,548
Refunds of contributions	487,190
Administrative expenses	132,709
Purchase of investments	29,253,239
Total Cash Disbursements	37,382,592
Net Increase (Decrease) in Cash	1,297,411
Cash and Cash Equivalents, Beginning of Year	5,260,576
Cash and Cash Equivalents, End of Year	\$ 6,557,987

#### City of Alexandria Employees' Retirement System Investments - Corporate Bonds December 31, 2012

Schedule 4 (Continued)

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
National Rural Utility Corporation	4/10/2017	5.450%	\$ 500,000	\$ 489,300	\$ 585,697
AT&T, Inc.	2/1/2018	5.500%	500,000	503,806	594,810
Caterpillar Financial Services Corporation	10/1/2018	7.050%	500,000	488,370	646,158
Wal-Mart Stores, Inc.	2/1/2019	4.125%	300,000	300,884	341,954
Philip Morris	3/26/2020	4.500%	300,000	297,346	350,461
Mettife, Inc	2/8/2021	4.750%	300,000	306,349	347,999
Mobil Oil	8/15/2021	8.625%	100,000	99,700	150,668
Atlantic Richfield	2/1/2022	8.250%	200,000	200,000	271,083
Coca Cola Enterprises	9/15/2022	8.000%	300,000	300,000	434,753
Aetna, Inc.	8/15/2023	7.250%	200,000	198,850	250,436
General Electric Capital Corporation	3/30/2024	5.000%	300,000	300,000	301,931
SLM Corporation	1/25/2025	5.625%	1,000,000	1,000,000	871,243
United Telephone Florida	1/15/2025	8.375%	500,000	487,573	615,163
General Electric Capital Corporation	10/15/2026	6.150%	200,000	200,000	202,802
Verizon California, Inc.	5/15/2027	6.750%	1,000,000	1,007,739	1,185,372
GTE Corp-Verizon	4/15/2028	6.940%	500,000	484,724	666,541
GTE Corp-Verizon	4/15/2028	6.940%	500,000	502,959	666,541
Bell South Telecommunications	6/1/2028	6.375%	500,000	500,000	600,009
Coca Cola Enterprises	9/15/2028	6.750%	500,000	498,275	680,747
Atlantic Richfield	3/1/2032	8.750%	100,000	100,000	142,509
Goldman Sachs Group I	2/15/2033	6.125%	250,000	250,000	291,208
Goldman Sachs Group I	2/15/2033	6.125%	500,000	499,167	582,416
Allstate	6/1/2033	5.350%	1,300,000	1,321,478	1,526,362
Cincinnati Gas & Electric	6/15/2033	5.375%	500,000	481,755	548,609
Ohio Power Company	7/15/2033	6.375%	290,000	289,517	293,163
Citigroup Inc	10/31/2033	6.000%	500,000	500,000	538,242
Goldman Sachs Capital I	2/15/2034	6.345%	650,000	640,381	680,063
Pacific Bell	10/15/2034	6.625%	260,000	260,000	272,572
Pacific Bell	10/15/2034	6.625%	1,000,000	1,000,000	1,048,352
Loews Corporation	2/1/2035	6.000%	500,000	496,586	589,911
Wal-Mart Stores, Inc.	9/1/2035	5.250%	1,000,000	997,483	1,216,502
Verizon Communications	9/15/2035	5.850%	540,000	552,664	680,191
Lowes Companies	10/15/2035	5.500%	600,000	550,403	725,176
Cleco Power LLC	12/1/2035	6.500%	210,000	210,000	260,829
Wyeth Company	2/15/2036	6.000%	300,000	295,199	392,965
Apache Corporation	1/15/2037	6.000%	300,000	294,516	377,825
Honeywell International	3/15/2037	5.700%	500,000	517,467	649,056
Lehman Brothers	6/21/2037	6.500%	270,120	267,000	61,790
McGraw-Hill	11/15/2037	6.550%	300,000	278,431	345,793
Regions Financial	12/10/2037	7.375%	300,000	299,250	325,500
Duke Energy	4/15/2038	6.050%	750,000	750,000	981,076
Consolidated Edison Co. of NY	12/1/2039	5.500%	500,000	502,596	626,353
Cisco Systems	1/15/2040	5.500%	500,000	499,303	636,453
Cisco Systems	1/15/2040	5.500%	1,000,000	1,089,550	1,272,906

#### City of Alexandria Employees' Retirement System Investments - Corporate Bonds December 31, 2012

Schedule 4 (Concluded)

Description	Maturity Date	Interest Rate	Face Value	Amortized Cost	Fair Value
Pepsico, Inc	1/15/2040	5.500%	\$ 300,000	\$ 310,233	\$ 379,511
Southern California Edison	3/15/2040	5.500%	500,000	508,617	634,935
Abbot Labs	5/27/2040	5.300%	500,000	498,603	647,881
Western Union	6/21/2040	6.200%	500,000	512,797	504,341
Wal-Mart Stores, Inc.	7/8/2040	4.875%	500,000	488,292	589,899
Apache Corporation	9/1/2040	5.100%	300,000	300,268	341,025
Pepsico, Inc	11/1/2040	4.875%	500,000	502,723	581,925
Microsoft	2/8/2041	5.300%	500,000	506,981	626,390
Honeywell International	3/1/2041	5.375%	300,000	305,244	382,843
Amgen, Inc.	10/1/2041	4.950%	300,000	288,083	331,767
Halliburton	11/15/2041	4.500%	300,000	305,530	334,691
Philip Morris International, Inc.	11/15/2041	4.375%	300,000	298,838	318,404
Unitedhealth Group, Inc	11/15/2041	4.625%	300,000	298,404	320,988
Florida Power and Light	2/1/2042	4.125%	500,000	500,353	521,774
McDonalds Corporation	2/15/2042	3.700%	1,000,000	977,622	992,211
Duke Energy Indiana, Inc	3/15/2042	4.200%	500,000	499,584	509,821
Mississippi Power Company	3/15/2042	4.250%	1,000,000	975,959	1,028,125
Pepsico, Inc	3/5/2042	4.000%	1,000,000	998,724	1,034,320
Southern California Edison	3/15/2042	4.050%	500,000	494,195	521,558
Unitedhealth Group, Inc	3/15/2042	4.375%	500,000	489,797	521,165
Bell South Telecommunications	11/15/2045	5.850%	800,000	748,847	846,844
Bell South Telecommunications	11/15/2045	5.850%	750,000	686,340	793,916
Totals			<u>\$32,770,120</u>	<u>\$ 32,604,655</u>	<u>\$ 37,594,524</u>

## City of Alexandria Employees' Retirement System Investments - Zero Coupon Treasury Receipts December 31, 2012

#### Schedule 5

Description	Maturity Date	Yield	Face Value	Amortized Cost	Fair Value
Zero Coupon Treasury Receipt FNMA Discount Note	02/15/17 06/01/17	8.300% 7.000%	\$ 2,075,000 1,000,000	\$ 1,483,644 737,980	\$ 2,024,098 960,645
Totals			\$ 3,075,000	\$ 2,221,624	\$ 2,984,743

Yield represents yield to maturity.

### City of Alexandria Employees' Retirement System Investments - GNMA Notes December 31, 2012

#### Schedule 6

Description	Interest Rate	rincipal salance	Aı	mortized Cost	_	Fair Value
GNMA Notes	9.00%	\$ 10,033	\$	8,425	\$	11,587
GNMA Notes	9.50%	1,156		583		1,305
GNMA Notes	10.00%	3,626		3,626		4,108
GNMA Notes	10.50%	241		241		250
GNMA Notes	11.00%	23		23		24
GNMA Notes	11.50%	190		190		208
GNMA Notes	12.00%	32		32		32
GNMA Notes	12.50%	 154		154		156
Totals		\$ 15,455	\$	13,274	\$	17,670

All of the above are monthly principal reduction notes, with final maturity scheduled on various dates.

## City of Alexandria Employees' Retirement System Investments - Preferred Stocks December 31, 2012

Schedule 7

Description	Number of Shares	Cost	Fair Value
<u> </u>			
BAC Capital Trust VIII	10,000	250,000	251,300
Bank of America 6.375%	10,000	250,000	249,100
Duke Realty Corp 6.6% Series L	3,940	99,997	98,894
Entergy Mississippi, Inc	15,000	375,000	400,950
FPL Group Capital Trust I	3,940	99,918	100,509
Gabelli DVD & Inc. Trust	3,880	100,104	99,483
General Electric Capital Corporation	25,000	625,000	625,000
General Electric Capital Corporation	417	11,426	10,638
Goldman Sacs Corporation	15,000	375,000	369,300
JP Morgan Chase Capital Trust XIV	13,390	337,512	340,374
Natural Rural Utility CFC	4,007	100,015	101,778
PLC Capital Trust V	3,930	99,979	98,879
Prologis Trust 6.75% Series F	3,870	99,885	96,750
RBS Capital Funding Trust VII 6.08%	3,920	99,921	80,948
Vornado Realty Trust 6.625%	3,970	99,885	99,846
Wachovia Pfd Funding 7.25%	3,430	99,984	90,928
Totals		\$ 3,123,626	\$ 3,114,677

## City of Alexandria Employees' Retirement System Investments - Common Stocks December 31, 2012

Schedule 8 (Continued)

	Number of		Fair
Description	Shares	Cost	Value
3-M Company	10,000	\$ 816,147	\$ 928,500
Abbott Laboratories	17,500	1,134,708	1,146,250
Alcatel Lucent	1,952	60,858	2,713
Amgen, Inc.	30,000	1,868,144	2,586,000
AOL. Inc.	605	34,598	17,914
Apple, Inc.	4,500	1,657,965	2,394,765
AT&T, Inc.	56,262	1,799,993	1,896,592
Bank of America Corporation	30,000	289,819	348,300
Baxter International, Inc.	7,000	428,401	466,620
BB & T Corporation	35,000	1,213,413	1,018,850
Caterpillar, Inc	25,000	2,223,652	2,240,250
Celgene Corporation	5,000	387,130	392,350
CenturyLink, Inc.	1,664	268,561	65,096
Chevron Corporation	14,000	1,100,841	1,513,960
Cisco Systems, Inc.	104,500	2,603,627	2,053,425
Cleco Corporation	20,000	274,313	800,200
Coco Cola Company	120,000	3,424,955	4,350,000
Comcast Corporation	1,819	77,582	67,958
Coming, Inc.	56,000	1,509,119	706,720
Dell, Inc.	110,000	2,192,517	1,115,400
Devon Energy	25,000	1,720,343	1,301,000
Dollar General Corp	11,000	559,947	484,990
Dow Chemical	27,000	1,133,380	872,910
Eaton Corp	12,000	628,995	650,160
Eli Lilly and Company	10,000	559,899	493,200
Emerson Electric Company	56,000	1,566,347	2,965,760
Express Scripts, Inc.	46,000	1,555,240	2,484,000
Exxon Mobil Corporation	30,000	1,123,563	2,596,500
Freeport-McMoran Copper and Gold, Inc.	35,000	1,626,938	<b>1</b> ,197,000
Frontier Communications Company	4,800	41,904	20,544
General Electric Company	100,000	1,647,171	2,099,000
General Motors Company	8,310	964,194	239,577
General Motors Company Warrants A	7,553	623,029	147,284
General Motors Company Warrants B	7,553	474,121	94,337
Google, Inc.	4,000	2,213,165	2,829,520
Halliburton	36,000	1,178,030	1,248,840
Hess Corporation	25,000	1,787,215	1,324,000

### City of Alexandria Employees' Retirement System Investments - Common Stocks December 31, 2012

Schedule 8 (Concluded)

Description	Number of Shares	Cost	Fair Value
Honeywell International, Inc.	28,000 \$	1,683,597	\$ 1,777,160
Illionois Tool Works, Inc	25,000	1,425,908	1,520,250
ING Groep, N.V.	7,000	285,258	66,430
International Business Machines	15,000	865,075	2,873,250
JDS Uniphase Corporation	2,937	791,116	39,649
Johnson & Johnson	50,000	3,167,814	3,505,000
McDonalds Corp.	10,000	562,351	882,100
Murphy Oil Corporation	20,000	1,419,185	1,191,000
Nokia Corp.	10,000	397,156	39,500
Procter & Gamble Co.	40,625	2,008,816	2,758,031
Qualcomm	12,000	664,667	742,320
Research in Motion Limited	10,000	358,155	118,700
Schlumberger, Ltd.	35,000	2,640,127	2,425,500
Tenet Healthcare Corp.	3,000	511,622	97,410
Time Warner	6,666	537,466	318,835
Time Warner Cable	1,673	189,514	162,599
Tractor Supply Company	10,000	866,063	883,600
Union Pacific Corp.	15,000	811,114	1,885,800
US Bancorp	25,000	697,353	798,500
Walt Disney Company	55,000	1,600,556	2,738,450
Totals	<u>\$</u>	64,252,737	\$ 69,984,569

Other Report Required by Government Auditing Standards



#### CERTIFIED PUBLIC ACCOUNTANTS

Established 1945

# Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Trustees City of Alexandria Employees' Retirement System

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statements of plan net position and changes in plan net position of the City of Alexandria Employees' Retirement System (the System) as of and for the year ended December 31, 2012 and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon date April 16, 2013.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

ROBERT W. OVORAK, C.P.A.

REBECCA B. MORRIS, C.P.A.

Michael A. Bunead, C.P.A.

Evelyn Renfrow, C.P.A.





Board of Trustees City of Alexandria Employees' Retirement System

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statue 21:513, this report is in fact a public document.

Certified Public Accountants Alexandria, Louisiana

A == 1 40 2042

April 16, 2013

Schedule of Findings and Responses

## City of Alexandria Employees' Retirement System Schedule of Findings and Responses Year Ended December 31, 2012

### Part I - Summary of Auditor's Results

Financial Statements	
Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	Yes X No
Significant deficieny(ies) identified not considered to be	<del></del>
material weaknesses?	YesX_ None reported
Noncompliance material to the financial statements noted?	Yes <u>X</u> No
Federal Awards	Not Applicable
Prior Year Audit Findings	None
Management's Corrective Action Plan	Not Applicable
Other Comments and Recommendations	Not Applicable
Part II - Findings Related to the Financial Statements	None
Part III - Findings and Questioned Costs for Federal Awards	Not Applicable